Supreme Court, U.S.

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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

COLLINS LICENSING, L.P.,
Petitioner,
v.
AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Respondent.

Petition For A Writ of Certiorari To The United States Court of Appeals For the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

In this patent case, the U.S. Court of Appeals for the Federal Circuit reversed a judgment holding respondent liable for infringing petitioner's patent, reasoning that the patent was invalid because the invention was "obvious." In reaching this conclusion, the court of appeals relied on its own analysis of the relevant "prior art," rejecting the contrary conclusions reached by a jury and by the Patent and Trademark Office, which twice upheld the validity of the patent in separate reexamination proceedings. This action raises the following questions:

1. In patent cases, is the ultimate question of obviousness a question of fact to be decided by the jury subject to review under the substantial evidence standard, or a question of law subject to independent review?

2. Where the Patent and Trademark Office has reexamined and confirmed the validity of a patent pursuant to 35 U.S.C. ch. 30, and that fact is in the record, what weight, if any, should the Federal Circuit give to this administrative determination in deciding the same question in an infringement action?

3. Should this Court exercise its supervisory power over the Federal Circuit in a case where that court (1) reached an issue that was not presented by the parties, (2) applied an improper standard of review, and (3) failed to apply the applicable substantive law?

LIST OF PARTIES

The parties to the trial proceedings were the parties designated in the caption and Southwestern Bell Telephone Corporation which was dismissed before trial.

RULE 29.1 LIST OF PARENT COMPANIES

Collins Licensing, L.P. is a limited partnership and, as such, has no parent company or subsidiaries.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Collins Licensing, L.P. petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is reported at 28 USPQ2d 1847 (designated unpublished) and is reprinted at Petition Appendix 1a - 11a.

JURISDICTION

The Federal Circuit issued its decision on November 5, 1993, and denied a timely petition for rehearing on January 11, 1994. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS

Article I, Section 8 of the United States Constitution provides, in pertinent part:

> "The Congress shall have power...To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Section 103 of Title 35 of the United States Code provides:

> "A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made. Subject matter developed by another person, which qualifies as prior art only under subsection (f) or (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person."

Section 282 of Title 35 of the United States Code provides, in pertinent part:

> "A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on

the party asserting such invalidity.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title."

STATEMENT

This is a patent case in which the jury found that respondent American Telephone and Telegraph Co. (AT&T) had infringed the patent held by petitioner Collins Licensing, L.P., on a switch used in telecommunications systems, and awarded $35 million in damages. The patent claim was twice "reexamined" by the Patent and Trademark Office (Patent Office) -- once before the trial in this case and once during the trial and appellate proceedings below. In each instance, the Patent Office was faced with the question whether the patent claim was invalid because "prior art" in the field rendered the invention "obvious," *see* 35 U.S.C. § 103, and in each instance the Patent Office upheld the validity of the patent claim. The jury in this case faced the same question, and returned a verdict for petitioner which in turn was upheld by the district judge on a motion for judgment as a matter of law. The Federal Circuit, however, treated the "obviousness" issue as a question of law and undertook its own evaluation of the prior art, ultimately concluding that the patent claim was invalid.

In the early 1970s, Arthur A. Collins envisioned a telephone system that was entirely digital. Acting on that vision, he invested fourteen years and $15 million in research and development in digital telephony. The patent in this

suit was one of eight that resulted from the work of Collins and his team of engineers. AT&T's first digital central office telephone switch employs the architecture of the patented invention. That switch quickly became AT&T's "Flagship" product with sales in the billions of dollars that dwarfed the $35 million ultimately awarded in this case.

When petitioner first presented its claim of infringement to AT&T informally, respondent contended that the patent claim was invalid based on an article previously authored by one Guido Granello. In response to this contention, Collins chose to invoke the reexamination provisions of the patent statute, in which Congress authorized any party to petition the Patent Office to reconsider the validity of a previously issued patent. The Patent Office confirmed the claim's validity over Granello and 80 other prior art references in 1990.

Despite this outcome, AT&T continued to infringe petitioner's patent, and this lawsuit was filed. Prior to trial, AT&T itself invoked the reexamination process through two filings with the Patent Office. In these it relied primarily on the same Granello prior art and on two additional prior art publications produced by Alfred Mack. These reexaminations remained pending when the case went to trial. There, respondent changed its strategy and abandoned its reliance on Granello as a basis for disputing the validity of the patent claim. Instead, respondent focused its invalidity defense on the two Mack publications and the live testimony of Mack himself.[1] Collins countered with its own expert testimony, documentary evidence, and various admissions made by Mack on cross-examination.

The jury was instructed on two related but separate invalidity defenses: "anticipation" (*i.e.*, whether the asserted invention was novel under 35 U.S.C. § 102) and obvious-

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[1] Mack published a short version and a long version of his research. The opinion below refers to the first as "Mack & Patrusky" and the second as "Final Technical Report." These two publications reflect the same prior work and are referred to here simply as "Mack."

ness (*i.e.*, whether the asserted invention, although novel, would have been obvious to those in the relevant field, under 35 U.S.C. § 103). *See* 35 U.S.C. § 282 (providing that invalidity is a defense in any infringement action). The instructions also properly stated that a patent is presumed valid. *See id.* The jury answered "No" to the written interrogatory "Do you find AT&T proved by clear and convincing evidence any one or more of the claims of the '593 patent are invalid?" Pet. App. 14a. It also found infringement, awarding petitioner $35 million in damages. Respondent moved for judgment as a matter of law, but did not argue obviousness in that motion (and of course did not mention Granello as a basis for invalidation of the patent at that point).

AT&T then changed course once again. Shortly after the trial, the Patent Office issued a preliminary response to the reexamination requests previously filed by AT&T. Relying on AT&T's earlier representations regarding Granello, the Patent Office preliminarily rejected petitioner's patent claim as invalid in light of Granello. At that point, in arguing its appeal to the Federal Circuit, respondent resurrected the argument that the claim was invalid in light of Granello, representing that this issue had been presented at trial.

After oral argument in the Federal Circuit, however, the Patent Office issued its final decision in the pending reexaminations, *upholding* the validity of petitioner's patent claim. The Patent Office concluded that neither Mack nor Granello was sufficiently similar to petitioner's invention to justify a conclusion that the invention was either anticipated or obvious. This result, in turn, was presented to the Federal Circuit, and was incorporated into the record in the then-pending appeal.

On November 5, 1993, the Federal Circuit issued an unpublished decision reversing the judgment. Without disturbing the jury's finding of infringement, the court of appeals ruled on a basis that respondent had not raised in its brief on appeal, concluding that the patented invention

would have been obvious at the time it was conceived. In reaching this conclusion, the court adopted its own interpretation of the Mack and Granello prior art, contradicting the interpretations that had been accepted by the Patent Office and the jury. It failed to apply or even to acknowledge the other factors for determining obviousness prescribed by this Court in *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

Finally, the court failed to come to grips with the trial evidence, which demonstrated that its interpretation of the prior art was incorrect. With respect to Mack, the trial record included the testimony of petitioner's technical expert, who rejected the interpretation of that prior art which was later adopted by the Federal Circuit. Moreover, Mack himself admitted on cross-examination that two of the features of the claimed invention were not taught in his publications.[2] None of this was mentioned in the opinion of the court of appeals.

Similarly, with respect to Granello, the *only* testimony interpreting Granello's Figure 5 was given by petitioner's technical expert (before it was known that AT&T had abandoned its Granello invalidity defense).[3] His opinion, which was supported by other documents in the record,

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[2] Specifically, his prior art taught use of a "Basic Module" combining time-space-time in one module, instead of three individual modules as required by petitioner's patent claim, *Ct. App. J.A.* 3583, and use of a *single* "cyclic retrieval" means to handle the controls for all three switching mechanisms, *id.* at 3592, instead of *multiple* individual cyclic retrieval means as required in the claim.

[3] AT&T submitted exhibits referring to Granello, but did so for entirely different reasons. The only testimony from any AT&T witness mentioning Granello came during cross-examination on an unrelated issue. More importantly, AT&T never argued to the jury (or to the judge in its post-trial motion) that Granello in any way undermined the validity of the patent claim. Indeed, in final argument, counsel for AT&T specifically denied that it was relying on Granello as prior art that anticipated the Collins patent. *Ct. App. J.A.* 3813-14.

was entirely inconsistent with the interpretation later adopted by the Federal Circuit.[4] Here again, this testimony was not even acknowledged by the court of appeals, even as the court accepted an obviousness argument that was so untenable that AT&T had deliberately abandoned it before the trial.

At the same time, the court of appeals paid little or no heed to the determinations previously made on these same issues by the Patent Office in successive reexamination proceedings. It offered no explanation for disregarding the result of the first reexamination, which involved Granello and which was presented to the jury at trial. As to the second reexamination, completed after trial but included in the record on appeal, the court simply asserted that the Patent Office's reading of Mack was wrong, Pet. App. 5a, while again not mentioning the Patent Office's reaffirmation that Granello did not undermine the validity of petitioner's patent claim.

REASONS FOR GRANTING THE WRIT

This case presents important questions going to the heart of the role played by the Federal Circuit in patent infringement litigation. In such cases, the defendant regularly argues that the patent is invalid because the invention would have been obvious. Where, as here, this defense has been rejected not only by the finder of fact at trial but also by the Patent Office in one or more reexamination proceedings, the Federal Circuit has taken the view that it

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[4] The expert explained that Figure 5 did not, in fact, constitute an illustration of a switch but was instead a symbolic representation of a mathematical analysis, known as a Lee graph. Figure 5 does not -- and by its nature as a graph could not -- plainly illustrate a switch with multiple discrete components in each stage as concluded by the court. The court's opinion, at AT&T's urging, is simply factually wrong. No expert would testify (and face cross examination) in support of such an interpretation, which explains why AT&T dropped the Granello invalidity defense before trial.

retains a great deal of independent authority to disagree -- *i.e.*, to review the prior art, weigh a number of other relevant factors, and come to its own conclusion about what would have been obvious to a person having ordinary skill in the relevant field. There could be no clearer example of this practice than this case, where the Federal Circuit simply adopted its own interpretation of the key prior articles, rejecting the contrary understandings reached by the Patent Office in repeated reexamination proceedings and by the jury at trial.

There is a real need for this Court to determine whether the Federal Circuit is justified in acting as the primary decisionmaker on the question of obviousness, subordinating both the trier of fact and the Patent Office to minor supporting roles. We say this for several reasons. To begin with, the Federal Circuit's treatment of obviousness as a question of law to be decided by the court is simply wrong: it contravenes precedents of this Court going back many decades, conflicts with the language of the statute, and ultimately makes no sense. Regardless of what courts may choose to say about it, the question of what would have been obvious to persons in a particular field in a particular time period simply cannot be transformed into a question of law. It is plainly an issue comparable to negligence, which is properly decided by a trier of fact who has seen the live testimony and had a full opportunity to weigh all of the relevant factors.

At the same time, there are serious practical consequences associated with allowing this fundamental error to go uncorrected. The potential for *de novo* appellate consideration of obviousness magnifies the incentives to appeal all trial court determinations on this question. It also increases uncertainty, as patentees and their competitors attempt to ascertain the strength of patent claims that may have been upheld in reexaminations or trial courts but have not yet been subjected to the independent scrutiny of the Federal Circuit. Finally, such an approach renders the reexamination process fundamentally unfair to patentees. They now know that, if they initiate such a proceeding, they

run the risk of a Patent Office invalidation of their patent, which will be upheld by courts unless it is clearly erroneous. *In re Carlson*, 983 F.2d 1032 (Fed.Cir. 1992), amended 1993 U.S.App. LEXIS 1665 (Fed.Cir. Feb. 1, 1993). Yet they also know that a victory in the Patent Office will do them little good when the obviousness issue is again raised as a defense to infringement. The result will be a transformation of the reexamination process into a strategic tool and delaying tactic used by accused infringers, who stand to gain a great deal while risking little.

I. THE FEDERAL CIRCUIT'S HOLDING THAT OBVIOUSNESS IS A QUESTION OF LAW IS LEGALLY UNSUPPORTABLE

The rule that patents may only issue for "non-obvious" inventions was first written into the patent statute in the 1952 Act. *Graham v. John Deere Co.*, 383 U.S. at 15 (discussing 35 U.S.C. § 103). Since that time, this Court has not had occasion to rule on the question whether obviousness is a question of law or a question of fact. Indeed, as recently as 1986, the Court indicated that this was an open question in its mind. *See Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811 (1986) (remanding because "most importantly, we lack the benefit of the Federal Circuit's informed opinion on the complex issue of the degree to which the obviousness determination is one of fact").[5] This Court should take the opportunity to resolve that question, now that the Federal Circuit has made a firm decision to treat the issue as a matter of law. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566 (Fed.Cir.), *cert. denied* 481 U.S. 1052 (1987). If the Court does so, we submit that the

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[5] *See also id.* (discussing the summary of factors relevant to an obviousness inquiry set out in *Graham v. John Deere Co., supra*) ("This description of the obviousness inquiry makes it clear that *whether or not the ultimate question of obviousness is a question of fact* subject to Rule 52(a), the subsidiary determinations of the District Court, *at the least*, ought to be subject to the Rule.") (emphasis added).

answer will be clear: there is no basis for treating the question of obviousness as a legal determination subject to independent review.[6]

A. *The Federal Circuit's Rule Conflicts Both with the Pre-1952 Case Law and with the Language Used by Congress in the 1952 Codification.*

The Federal Circuit's current approach to review of § 103 obviousness determinations is largely based on this Court's statement in *Graham v. John Deere Co.* that *"[w]hile the ultimate question of patent validity is one of law, . . .* the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries." 383 U.S. at 17 (emphasis added). *See, e.g., Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1567 (Fed. Cir.) (opinion on remand from this Court), *cert. denied* 481 U.S. 1052 (1987). *See also Sakraida v. AG Pro, Inc.*, 425 U.S. 273, 280 (1976), reh'g denied 426 U.S. 955 (1976) (paraphrasing this same statement from *Graham*). This reliance on *Graham* is misplaced, however, for several reasons.

First, at the time *Graham* was decided, there was already a long list of precedents from this Court holding that the pre-1952 non-statutory requirement of "invention" was an issue of *fact. See, e.g., Battin v. Taggert*, 17 How. 74, 85, 58 U.S. 74 (1854); *Keyes v. Grant*, 118 U.S. 25, 36-37 (1886); *Williams Mfg. Co. v. United Shoe Machine Corp.*, 316 U.S.

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[6] As we discuss more fully *infra*, this case is an appropriate one in which to resolve this question since the Federal Circuit clearly did not defer to the fact-finder and since the court relied for its approach on its prior decision in *Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757 (Fed.Cir. 1988), *cert. denied*, 493 U.S. 814 (1989). *See* Pet. App. 6a. There, the panel majority, over a strong dissent, went so far as to hold that it is technically inappropriate even to ask a jury whether the invention incorported in a given patent claim is "obvious," and that the proper procedure is to give the jury interrogatories on disputed underlying factual issues. 864 F.2d at 765.

364, 365 (1942). For example, in *Thomson Spot Welder Co. v. Ford Motor Co.*, 265 U.S. 445, 446 (1924), this Court stated that "[t]he question whether an improvement requires mere mechanical skill or the exercise of the faculty of invention, is one of fact; and in an action at law for infringement is to be left to the determination of the jury." And again, in *U.S. v. Esnault-Pelterie*, 299 U.S. 201, 205 (1936), this Court held: "Validity and infringement are ultimate facts on which depends the question of liability. In actions at law they are to be decided by the jury . . . ."

It is highly unlikely that this Court in *Graham* intended, in one passing phrase, to overrule this line of precedent. To the contrary, the Court held that § 103 was merely a "codification" of the prior precedents recognizing an "invention" requirement, 383 U.S. at 17,[7] and it went on to use other language that tends to support treatment of obviousness as a question of fact. Recognizing the potential "difficulties in applying the nonobviousness test" set forth in the statute, the Court commented that these difficulties are "comparable to those encountered daily by the courts in such frames of reference as negligence and scienter, and should be amenable to a case-by-case development." 383 U.S. at 18. Negligence and scienter, of course, are both fact questions subject to deferential appellate review. *See McAllister v. United States*, 348 U.S. 19, 22-23 (1954), mod. denied 348 U.S. 957 (1955) (negligence); *Anderson v. City of Bessemer City*, 470 U.S. 564, 573 (1985) ("a finding of

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[7] *See also* 383 U.S. at 3-4 ("We have concluded that the 1952 Act was intended to codify judicial precedents embracing the principle long ago announced by this Court in *Hotchkiss v. Greenwood*, 11 How. 248 (1851), and that, while the clear language of § 103 places emphasis on an inquiry into obviousness, the general level of innovation necessary to sustain patentability remains the same."; *Sakraida v. AG Pro, Inc.*, 425 U.S. 273, 279, reh'g denied 426 U.S. 955 (1976) (same).

intentional discrimination is a finding of fact").[8]

Indeed, the Federal Circuit's reliance on *Graham* proves too much. After all, what the Court there said was that "the ultimate question of patent *validity* is one of law." 383 U.S. at 17. But as the Court then noted in the same sentence, obviousness is just one of three statutory conditions of patentability. The other two -- "utility" under 35 U.S.C. § 101 and "anticipation" under 35 U.S.C. § 102 -- are questions of fact. *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760, 771 (Fed.Cir. 1983), *cert. denied* 465 U.S. 1026 (1984) (§ 102) and *Newman v. Quigg*, 877 F.2d 1575, 1581 (Fed.Cir.), modified 886 F.2d 329 (Fed.Cir. 1989), *cert. denied* 495 U.S. 932 (1990).

Certainly the 1952 codification itself provided no basis for recognition of a new rule treating obviousness as a question of law. To the contrary, that codification reflects a congressional understanding that obviousness, and the other conditions of patentability, are properly treated as factual issues. In the very section authorizing defendants to challenge patent validity in infringement actions, Congress provided that a "patent shall be *presumed* valid" and that the "*burden of establishing invalidity* of a patent or any claim thereof shall rest on the party asserting such invalidity." 35 U.S.C. § 282 (emphasis added).

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[8] *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 609-610 (1950), reh'g denied 340 U.S. 845 (1950), also points to obviousness as being a question for the fact finder. In discussing the patent law doctrine of equivalents, Justice Jackson wrote for the Court:

> "A finding of equivalence is a determination of fact....Like any other issue of fact, final determination requires a balancing of credibility, persuasiveness and weight of evidence. It is to be decided by the trial court and that court's decision, under general principles of appellate review, should not be disturbed unless clearly erroneous. Particularly is this so in a field where so much depends upon familiarity with specific problems and principles not usually contained in the general storehouse of knowledge and experience."

Such language, by its very nature, indicates that obviousness (along with anticipation and utility) is properly viewed as a fact question. A "presumption" operates to determine the significance of particular types of *evidence* -- dictating that when certain predicate facts (such as the issuance of a patent) are proved, an additional proposition (such as the patent's validity) will be deemed established unless the adverse party comes forward with sufficient contrary factual evidence. *See* 6 *Moore's Federal Practice*, ¶ 56.11[10], at 56-159 (specifically referring to the presumption of patent validity). In some cases, the presumption creates only a burden of producing rebuttal evidence. *See* Fed. R. Evid. 301 (unless otherwise provided, "a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or meet the presumption"). In others, as here, the presumption imposes on the party the burden of proof. 35 U.S.C. § 282 ("The burden of establishing invalidity of a patent . . . shall rest on the party asserting such invalidity."). *See* 10 *Moore's Federal Practice* ¶ 301.04 (drawing this distinction).

In either case, however, such a rule is rational only if the "presumed" proposition is factual in nature. *See* Advisory Committee Note on 1972 Proposed Fed.R.Civ.P. 301 (presumptions under rule require party to establish "the nonexistence of the *presumed fact*, once the party invoking the presumption establishes the basic facts giving rise to it" (emphasis added). It would make no sense, after all, to presume the state of the *law* based on some prescribed factual showing, or to terminate that presumption based on the production of contrary evidence. And it makes even less sense to speak in terms of which party has the burden of proof regarding a question of law.[9]

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[9] Thus, courts sometimes assert that statutes carry a "presumption of constitutionality" -- a loose usage of the term in light of the fact that this "presumption" can be overcome through a legal argument that a statute is facially inconsistent with a constitutional requirement. But courts seldom if ever assert that one party has the burden of *proving* a statute's unconstitutionality. A burden of proof is invoked only with respect to a factual issue.

In sum, it is ultimately indefensible to suggest that either this Court or Congress is the source of the current rule treating obviousness as a question of law. The statute says no such thing. And the statement in *Graham* that the "ultimate question of patent validity is one of law" simply constituted a recognition that the Constitution, in Article I, § 8, sets outer limits on the power of Congress to grant patent monopolies, including a requirement that an invention reflect some degree of creative innovation. Indeed, the Court's sole citation in support of its statement was to a concurring opinion of Justice Douglas in *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 155 (1950), reh'g denied 340 U.S. 918 (1951). There, in a case that preceded the codification of the obviousness standard, Justice Douglas asserted that the "standard of patentability is a constitutional standard; and the question of validity of a patent is a question of law." *Id.* In *Graham*, this Court accepted that proposition. But it also drew a distinction between the constitutional standard and the question of obviousness as framed by Congress, which satisfies the constitutional requirement by providing a more "factual" type of inquiry, instead of a qualitative type inquiry. 383 U.S. at 17 ("The emphasis on nonobviousness is one of inquiry, not quality, and, as such, comports with the constitutional strictures.").

B. The Federal Circuit's Rule Makes No Legal or Practical Sense.

Treatment of obviousness as a question of law becomes even less defensible when one looks at the issue in common-sense terms. To begin with, it is virtually incoherent to state that this issue is inherently legal in nature. The question under section 103 is whether the innovative aspects of the subject invention "would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." That question, on its face, is factual. It requires inquiry into the factual circumstances at a particular time in a par-

ticular technological field. It then posits a hypothetical "person of ordinary skill in the art," and asks whether the particular innovation would have been obvious to that person. A court may call this question "legal," but such a characterization cannot alter the fundamental nature of the inquiry.

The Federal Circuit, of course, recognizes that there are underlying factual elements relevant to the obviousness inquiry. Its answer is that the jury should be asked, through special interrogatories, to make findings concerning the predicate factors, most of which were set out in *Graham* itself. *See Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988), *cert. denied* 493 U.S. 814 (1989). The court then is supposed to determine whether these predicate facts justify a finding of obviousness. But this makes no sense. First, these factors do not lend themselves to being reduced to meaningful interrogatory answers. How could a jury provide *all* the "facts" to a court, in a typical case? See, for example, *United States v. Adams*, 383 U.S. 39, 42-52 (1966).

Second, the nature of the ultimate inquiry -- would it have been obvious to one of ordinary skill in the art -- requires not simply marshalling the answers to the underlying factual inquiries, but weighing them. That weighing function is both complex and indivisible. And, as this Court has recognized in another context, even when the underlying facts are undisputed, an appellate court must defer to the inferences drawn by the fact-finder from such underlying facts. *See Anderson v. City of Bessemer City*, 470 U.S. 564, 576-77 (1985).[10]

Since the ultimate question of obviousness and the underlying factual questions are indivisible, treating obvi-

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[10] *See also* Fed.R.Civ.P. 52(a) (clearly erroneous standard applies even to findings based entirely on "documentary evidence"); *Advisory Committee Note on 1985 amendment to Rule 52* (explaining reasons for rejecting *de novo* appellate review of inferences drawn from a purely documentary trial record).

ousness as a legal question for the court inevitably leads the court to trespass on the fact-finding province of the jury. *Cf. Pullman-Standard v. Swint*, 456 U.S. 273, 287 (1982) (requirement of deference to trial judge's finding under Fed.R.Civ.P. 52 "does not divide facts into categories; in particular, it does not divide findings of fact into those that deal with 'ultimate' and those that deal with 'subsidiary' facts"). The present case is a blatant example, where the court found the facts (interpreting the prior art) on its way to the "legal" conclusion of obviousness. But it is not a lone example. As recognized in the dissent in *Newell Companies, Inc. v. Kenney Mfg. Co.*, 864 F.2d 757 (Fed.Cir. 1988):

> "Thus the panel majority, giving 'full and independent review by the court' to the question of unobviousness, conducts its own analysis of the prior art and draws its own independent conclusions, giving no deference whatsoever to the jury verdict. Despite the jury trial, the jury has disappeared from the decisional process."

See also Tao, *An Examination of the Federal Circuit's Multi-Tiered Review of Patent Obviousness,* 20 Am.Intell.Prop. L.A.Q.J. 84, 101-10 (1992); *Creative Mfg. v. UNIK,* 1989 WL 86447 (Fed.Cir. 1989) (unpub.)(dissent).

There are other problems with the Federal Circuit's approach as well. As long as the Federal Circuit stands ready to determine the validity of patents based on its own independent reading of the prior art, there will be virtually irresistible pressures to appeal every debatable trial judgment on this issue. After all, the appeal constitutes a "second bite at the apple," largely unencumbered by a requirement of deference to the conclusions drawn below. This will not only increase the litigation burden unnecessarily, but delay the day when a patentee and his competitors can feel that they have a degree of certainty concerning the real value of a given patent. The Federal Circuit itself once cautioned a litigant against "seek[ing] a second trial [by] arguing for '*de novo*' review of the obviousness issue." *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1513

(Fed.Cir.), *cert. denied* 469 U.S. 831 (1984). *See also id.* ("all that would be necessary under RDI's proposal is that the parties mail us the patent and the prior art and ask whether we think the claimed invention would have been obvious or unobvious"). The court now appears to be inviting exactly this kind of litigation tactic.

This Court has been asked on a number of occasions in recent years to review the Federal Circuit's handling of the obviousness issue. *Newell Companies Inc. v. Kenney Manufacturing Co., cert. denied* 493 U.S. 814 (1989); *Merck & Co. v. Biocraft Laboratories, Inc., cert. denied* 493 U.S. 975 (1989); *Dennison Manufacturing Co. v. Panduit Corp., cert. denied* 481 U.S. 1052 (1987); *Monoclonal Antibodies, Inc. v. Hybritech, Inc., cert. denied* 480 U.S. 947 (1987); *Daig Corp. v. Medtronic, Inc., cert. denied* 479 U.S. 931 (1986); *Nicolet Instrument Corp. v. Bio-Rad Laboratories, Inc., cert. denied* 469 U.S. 1038 (1984); *May v. American Southwest Waterbed Distributors, Inc., cert. denied* 465 U.S. 1103 (1984). The reason is simple: the current system is both unfair and unworkable.

II. THE FEDERAL CIRCUIT SHOULD BE REQUIRED, ABSENT SOME EXTRAORDINARY CIRCUMSTANCE, TO UPHOLD A JURY VERDICT ON OBVIOUSNESS THAT IS SUPPORTED BY A PREVIOUS DETERMINATION BY THE PATENT OFFICE IN A REEXAMINATION PROCEEDING.

The Federal Circuit's willingness to decide the question of obviousness for itself was particularly indefensible in a case like this one, where the same issue had been repeatedly considered by the Patent Office and those administrative determinations were in the record. The court of appeals has indicated that a prior reexamination upholding the validity of a patent makes the burden of proving invalidity in court "heavier." *Custom Accessories, Inc. v. Jeffrey-Allan Industries*, 807 F.2d 955, 961 (Fed.Cir. 1986). In reality, however, the court accords no real deference to the Patent Office's factual findings relating to technical issues.

Here, for example, the Federal Circuit ignored the Patent Office's factual findings relating to the nature and content of the prior art in the first reexamination, even though those findings were before the jury. Then, while taking judicial notice of the second reexamination which was pending during the appeal, the Federal Circuit ignored the Patent Office's treatment of the Granello reference, and summarily rejected the Patent Office's analysis of the Mack reference, simply stating that "the basis for allowance indicates a misunderstanding." Pet. App. 5a.

This rather casual treatment of the Patent Office's prior determinations is difficult to understand in a case where the court was, or should have been, asking whether the jury's verdict was supported by substantial evidence. Absent some extraordinary circumstance, a Patent Office ruling in a reexamination that focused on the same issues presented to a jury would seem, by itself, to constitute "substantial evidence" supporting a jury verdict that follows the Patent Office's lead. Moreover, any other result would defeat the legislative purpose behind the reexamination statute.

This Court and the Federal Circuit have consistently held that what a prior art reference teaches is a question of fact. *Panduit Corp. v. Dennison Manufacturing Corp.*, 810 F.2d at 1579 n.42 (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)). And, as such, the Patent Office's factual findings as to technical issues should be considered by the court in reviewing whether substantial evidence supports the verdict.[11]

Deference should be given the Patent Office because it is the agency that is expert in deciding technical issues. In analogous situations, this Court holds that technical issues should be deferred to the expertise of the administrative agency. See e.g., *Weinberger v. Bentex Pharmaceuticals, Inc.*,

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[11] When a patent is found *invalid* in a reexamination, the clear error standard of review is applied. *In re Carlson,* 983 F.2d 1032, 1038 (Fed.Cir.1992).

412 U.S. 645, 654 (1973). This Court stated in *Weinberger* that:

> "In cases raising issues of fact not within the conventional experience of judges or cases requiring the exercise of administrative discretion, agencies created by Congress for regulating the subject matter should not be passed over. This is so even though the facts after they have been appraised by specialized competence serve as a premise for legal consequences to be judicially defined. Uniformity and consistency in the regulation of business entrusted to a particular agency are secured, and the limited functions of review by the judiciary are more rationally exercised, by preliminary resort for ascertaining and interpreting the circumstances underlying legal issues to agencies that are better equipped than courts by specialization, by insight gained through experience, and by more flexible procedure."

Id. (quoting, *Far Eastern Conference v. United States*, 342 U.S. 570, 574-75 (1952)).

Such deference is particularly important where there has been a reexamination of a patent, because such a proceeding comes very close, in most cases, to constituting a litigated administrative determination on the validity issue. After all, AT&T's substantial involvement in the reexamination proceedings (two initial filings and a third, mid-reexamination filing that included trial evidence) is not unusual. Since the statute became effective in 1981, there have been 3293 reexaminations filed in the Patent Office. Of those filings, 54% were filed by entities other than the patent owner. And, 19% of those reexaminations involved patents "known" to be in litigation. (*December 31, 1993 Quarterly Reexamination Statistical Report of the Assistant Commissioner of Patents*, available on request from United States Patent and Trademark Office) Thus, while reexaminations have been technically referred to as *ex parte*, and do not formally bind any party other than the patentee, it

is certainly appropriate to give the results substantial weight. As one judge put the matter:

> "To characterize reexamination in its entirety as an *ex parte* proceeding under such circumstances [extensive involvement by the alleged infringer], while technically correct, ignores reality. It is, in my view, more appropriate to view it here as collateral to the pending litigation, although without res judicata effect against the alleged infringer if the claims are held valid."

In re Etter, 756 F.2d 852, 862 (Fed.Cir.) (Nies, J., concurring), *cert. denied* 474 U.S. 828 (1985).[12]

By enacting the reexamination statute, Congress intended to "eliminate or simplify a significant amount of patent litigation." *In re Opprecht*, 868 F.2d 1264, 1265 (Fed. Cir. 1989). The congressional proponents of the statute perceived three benefits. First, the procedure could settle validity disputes more quickly and less expensively than the often protracted litigation involved in such cases. Second, the procedure would allow courts to refer patent validity questions to the expertise of the Patent Office. Third, reexamination would reinforce "investor confidence in the certainty of patent rights" by affording the Patent Office a broader opportunity to review "doubtful patents". *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 602 (Fed.Cir. 1985), modified, reh'g denied 771 F.2d 480 (Fed.Cir. 1985).

The Federal Circuit's review of patent infringement suits that involve reexaminations has eroded the benefits of a reexamination as intended by Congress. As with the

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[12] Recognizing the reality of reexaminations, one respected commentator stated that "...given the adversarial contribution that will be present with many reexaminations, and given the intent of Congress in enacting the reexamination procedure, it would seem appropriate that the courts give substantial weight to specific determinations of fact made by the Office in confirming patentability." Chisum, *Patents*, Vol. 3, § 11.07[4], 11-295 (1993).

technical findings of other administrative agencies, the courts should defer to technical findings in reexaminations, and conclude, at least in the usual case, that such technical findings provide the substantial evidence required to uphold a later jury verdict that is consistent with the Patent Office's conclusions.

III. THIS COURT SHOULD EXERCISE ITS SUPERVISORY POWER OVER THE FEDERAL CIRCUIT

Leaving aside the broader issues raised in this case, the Federal Circuit "has so far departed from the accepted and usual course of judicial proceedings...as to call for an exercise of this Court's power of supervision." Sup. Ct. R. 10.1(a). In the usual course of appellate review, a court should 1) determine the proper issues raised for decision; 2) apply the proper standard of review; and 3) follow the applicable substantive law. The court below violated all three of these fundamental tenets.

First, § 103 obviousness was not raised as an issue on the appeal.[13] No argument was presented. The statute was never mentioned. Neither *Graham v. John Deere Co., supra*, nor any other leading authorities on obviousness was cited. And no *Graham* analysis on the factual inquiries was made. The only invalidity issue raised was § 102 anticipation (newness), not the wholly different issue of obviousness. ("In this case, as in *Verdegaal*, the evidence is so clear and convincing that reasonable jurors could only conclude that the claims 29, 34, 37-39, 43 and 47-48 ('the asserted claims') are invalid under 35 U.S.C. 102." AT&T's Main Br. p. 26) Nonetheless, the court below invalidated claim 29 based on § 103 obviousness, thus depriving petitioner of its

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[13] Appellant-respondent had not raised § 103 obviousness in its post trial motion for judgment as a matter of law and, accordingly, would have been barred from raising obviousness on the appeal. *Johnson v. New York, N.H. & H.R. Co.*, 344 U.S. 48, 50 (1952); *Fountain v. Filson*, 336 U.S. 681, 683 (1949), reh'g denied 337 U.S. 921 (1949).

$35 million judgment without a fair opportunity to be heard.

Second, the court below did not apply the requisite standard of review for jury verdicts -- the substantial evidence test.[14] None of the evidence that supported the verdict was even mentioned, much less analyzed. In interpreting the highly technical prior art, the court did not refer to any evidence at all; it simply made its interpretation based on the prior art documents themselves. This very issue, interpretation of the prior art, was the pivotal *factual* dispute at trial on the validity issue.[15] The review was *de novo*, in violation of the substantial evidence test and the Seventh Amendment.[16]

Third, the court did not follow, or even mention, the substantive law of § 103 obviousness -- i.e., the methodology and factual inquiries laid down in *Graham v. John Deere*

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[14] "We have defined 'substantial evidence' as 'such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.' *Consolidated Edison Co. v. Labor Board*, 305 U.S. 197, 229." *Consolo v. Federal Maritime Comm'n*, 383 U.S. 607, 619-20 (1966); *see generally: Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 893 (Fed.Cir.), *cert. denied* 469 U.S. 857 (1984).

[15] At the trial, petitioner's technical expert interpreted the prior art in a manner wholly incompatible with that of the court below -- but that evidence was ignored. Respondent's witness, Mr. Mack, made key admissions on cross-examination that undermined the court's interpretation of the Mack prior art -- and again that evidence was ignored. The Patent Office, in its first reexamination, confirmed validity based, inter alia, on its interpretation of Granello -- and that evidence too was ignored. All this evidence, going to a clear question of fact ("the scope and content of the prior art, *Graham v. John Deere Co., supra* at 7) was before the jury but disregarded by the court below.

[16] The opinion's reference (Pet. App. 6a) to the proper standard is not enough. This Court determines whether the standard was in fact applied, not just whether lower court "acknowledged and correctly stated the controlling standard." *Pullman-Standard v. Swint*, 456 U.S. 273, 290-291 (1982).

Co., *supra*, and reaffirmed in *Dennison Mfg. Co. v. Panduit Corp.*, *supra*. That comprehensive factual approach, aimed at unearthing the hypothetical person of ordinary skill in the art so as to determine what would or would not have been obvious, is altogether different from the approach taken below, which involved simply looking at one of the many *Graham* inquiries, the scope and content of the prior art. The law is clear that evidence of the so-called secondary considerations "may often establish that an invention appearing to have been obvious in light of the prior art was not." *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538 (Fed.Cir. 1983); *see United States v. Adams*, 383 U.S. 39, 51-52 (1966). Here, the evidence established that AT&T had long recognized the need for a digital central office switch; some 70 Bell Laboratory researchers had unsuccessfully tried to solve the problem; and when the problem was solved by the patented invention, the commercial success of AT&T's switch was in the billions of dollars.

Unfortunately, this decision is not an aberration from the Federal Circuit. The court's recurrent failure to follow the rule of law, in favor of a result in a particular case, has been recognized and criticized from all quarters:

District Court: "[W]hen they would prefer a different result than that reached by the trial judge, they shift from his findings of fact and say, 'Oh no. This is a conclusion of law.' And, to some extent, I am constrained to say that some of the decisions that I have read from this Circuit are result driven."[17]

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[17] *Ninth Annual Judicial Conference for the Federal Circuit*, 140 F.R.D. 57, 69 (1991). (Judge Avern Cohn (E.D.Mich.)) Ironically, Judge Cohn, sitting by desgnation, was on the panel below.

Patent Bar: "The charge that the court makes *de novo* fact finding is demonstrably true."[18]

U.S. Commissioner of the Patent and Trademark Office: "The [Federal Circuit's] standard of *de novo* review for patent cases is totally inappropriate...."[19]

The Court Itself: "As the appellate court receiving appeals from all the district courts of the nation, today's decision moves patent jury trials into some undefined limbo unique to patent litigation. This new and confusing conflict with our own precedent, of constitutional dimension, can not reassure the bar, or litigants or trial judges."[20]

As the final arbiter in all patent matters, the Federal Circuit plays a vital role in the implementation and success of our patent system. The proper and predictable functioning of the patent system becomes ever more important in this world of rapidly advancing technology and global competition. Supervision by this Court is required. The Court should therefore grant plenary review or, in the alternative, "grant the petition for certiorari, vacate the judgment, and remand the case to the Court of Appeals," *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986).

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[18] *Fourth Judicial Conference for the Federal Circuit,* 112 F.R.D. 439, 452 (1986) (Thomas Arnold, former President, American Intellectual Property Association). Mr. Arnold suggested more recently that his views on this issue have not changed, when he asked in a panel discussion:

> "Have you ever observed the Court writing as though they were writing on the law, but in fact writing a plain, naked reversal of findings of fact?" *AIPLA Bulletin,* Third Quarter, 1993, p. 651.

[19] *National Law Journal,* "New Patent Chief Reinvents His Job", February 28, 1994, p.40, (quoting Comm. Lehman).

[20] Judge Pauline Newman dissenting in *Newell Companies, Inc. v. Kenney Mfg. Co.,* 864 F.2d 757, 770 (Fed.Cir. 1988).

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted,

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NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit

92-1201, -1294 -1302

COLLINS LICENSING, L.P.,
Plaintiff/Cross-Appellant,
v.
AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant-Appellant,

DECIDED: November 5, 1993

BEFORE NIES, *Chief Judge*, PLAGER, *Circuit Judge*, and COHN, *District Judge*.*
Per Curiam.

Collins Licensing, L.P., sued American Telephone and Telegraph Company (AT&T) in the District Court for the Western District of Texas for infringement of U.S. Patent No. 3,956,593 ('593 patent). After a jury trial, judgment was entered against AT&T in accordance with special verdicts that claims 29, 34, 37-39, 43 and 47-48 are not invalid and that AT&T had infringed only claim 29 of the asserted claims. The court further ruled that the patent was not unenforceable. Both parties appeal, seeking reversal of the rulings adverse to their positions. AT&T also appeals from the order of the district court holding it in contempt. Because we conclude that claim 29 is invalid and that the verdicts of non-infringement of the other asserted claims cannot be overturned, we *reverse* the judgment of liability. We *vacate* and *remand* for reconsideration of the contempt order.

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* Honorable Avern Cohn, District Judge for the Eastern District of Michigan, sitting by designation.

I.

Validity of Claim 29

AT&T contends that three prior art references render claim 29 obvious. The first, A. Mack & B. Patrusky, *Time Division Digital Switch Matrix Technique Evaluation,* in IEEE International Conference on Communications 40-1 (June 1972), evaluates four different digital switch architectures for cost, reliability and grade of service. Another prior art reference, Guido Granello, *Switching Networks for PCM Time Division Exchanges,* in International Switching Symposium Record 81 (June 1972), analyzes the optimal switching configuration for tandem PCM exchanges.[1] The final piece of prior art, Rome Air Development Center, Final Technical Report RADC-TR-72-27, *Integrated Circuit/Message Switch Feasibility Model Development, Test, and Evaluation* (1972) (hereinafter "Final Technical Report") consists of several volumes of technical reports on digital telephony. Because we hold that claim 29 would have been obvious, if not fully anticipated by the prior art, we agree that the district court erred by failing to grant AT&T's motion for judgment as a matter of law.

Claim 29, the only claim the jury found infringed by AT&T, provides:

> The switch of claim 27, wherein said individual time division digital signal switch element means are in two basic configurations, a space switch eleme[n]t and a time switch element interconnectable in pluralities of each said space and time switch elements through an extensive range of time division multiplex switch sizes and configurations.

The claim from which Claim 29 depends, Claim 27, was cancelled by the PTO during reexamination and thus cannot

[1] A tandem exchange is a telephone switch handling traffic between those switches in which subscriber's lines are terminated. Dennis Longley & Michael Shain, *Dictionary of Information Technology* 197, 331 (2d ed. 1986). PCM refrs to pulse code modulaton, a technique for transmitting analog information in digital form through sampling, conversion of the sampled value into a fixed length binary number, and transmission of that number as a corresponding set of pulses. Id at 278.

independently serve as a basis for infringement. Collins does not argue here that claim 27 is itself patentable over the aforementioned prior art. Claim 27 reads:

> In a switch for interconnecting between data incoming and outgoing digital time division multiplex communications lines:
>
> individual time division digital signal switch element control means, including,
>
> control store means for storage of the status of interstage links in a switch;
>
> cyclic retrieval means connected to said control store means for cyclic retrieval of stored status information from said control store means;
>
> control data source means interconnected with said control store means for interrogating and modifying information stored in said control store means:
>
> and step said control signal input means to said control store means for activating information retrieval and modification.

Claim 29 differs from claim 27 in that claim 29 adds a modular switch architecture. The dispute of the parties concerns whether the prior art teaches this modular architecture, i.e., a digital telephone switch with individually controlled, distinct time and space switch components. Both the inventors during prosecution of the '593 patent, and Collins during the subsequent reexaminations, stressed the invention's use of standardized, individually controlled time and space switch components, which allow for flexibility in switch implementation. The specification of the '593 patent states that:

> It is . . . a principal object of this invention to provide a time space time (TST) switch system achieving significant improvements in operation and in minimized equipment costs, in using two basic modules, a time switching module and a space switching module . . . .
>
> Another object is to provide such a TST switch

> system wherein the two basic modules may be interconnected to realize virtually any size and configuration of a time division switch.

Collins later indicated that the patented invention employed "the ingenious and novel modularization of the time and space switch elements, associating *individual control stores with each element.*" Request for Reexamination at 9 (June 21, 1989) (emphasis added).

Our examination of the prior art reveals that both Granello, *supra,* and the Final Technical Report, *supra,* teach individual space and time switch modules. Where depicting "[t]he graph representation of a three-stage network" in Figure 5, Granello, *supra* at 84, plainly illustrates that each stage is composed of multiple discrete components. While these modules are interconnected within a stage, and are further connected to other components in other stages, they are individually controlled, distinct modules. Granello explains that "[t]he graphs shown in Fig. 5 can be implemented as follows: i) Time-space-time (TST) implementation. Stages 1 and 3 are made up of time matrices, stage 2 is a space matrix." *Id.* at 85. Where the Final Technical Report refers to the three stages of the TST switch, it indicates that "different primary, secondary and tertiary stages should be package[d] [sic] on separate modules . . . [with] any given primary, secondary or [sic, tertiary] function including control . . . packaged wholly on one to three cards . . . ." 3 Final Technical Report at 92. All three references further teach the advantages of a modular design, allowing flexible implementation of switches through different space and time switch combinations. Both Mack & Patrusky, *supra* at 40-5, and Granello, *supra* at 87, further provide data on cost, reliability and other factors for different sizes of differently configured switches. *See also* 3 Final Technical Report, *supra* at 92.

The additional limitations of claim 29 are taught within the prior art references. Mack & Patrusky, *supra* at 40-1, indicates that the architectural approach of the compared switches "had to be modular." The Final Technical Report also makes extensive use of a "basic module" for purposes

of its analysis. 3 Final Technical Report, *supra* at 73. The prior art references thus expressly teach one of skill in the art to employ uniform, interconnectible switch components. The tabular data that the references provide on different switches also indicates that no switch architecture predominates; instead, an optimal switch architecture varies depending upon the size of the subscriber base, traffic patterns, reliability concerns and other factors. In any event, a well known principle of design engineering is that a modular design is desirable to achieve flexibility in the modification of existing switches and the implementation of new ones.

In reaching this conclusion, we are not unmindful that on reexamination the PTO, after initial rejection of claim 29 based on Mack & Patrusky, *supra,* withdrew that rejection. However, the basis for allowance indicates a misunderstanding that the prior art did not disclose, *inter alia,* modular time and space switches under *individual* control. On the incontrovertible record before us, we reach the opposite conclusion. "[W]e see nothing untoward about the PTO upholding the validity of a reexamined patent which the . . . court later finds invalid. This is essentially what occurs when a court finds a patent invalid after the PTO has granted it." *Ethicon, Inc. v. Quigg,* 849 F.2d 1422, 1428, 7 USPQ2d 1152, 1157 (Fed. Cir. 1988). We review a trial record which includes live testimony and cross-examination, none of which was before the examiner. The governing statute and regulations limit third party involvement in a reexamination to the initiation of the procedure. 35 U.S.C. §§ 304, 305 (1988); 37 C.F.R. § 1.510 (1992). Our precedent mandates that courts considering the validity of reexamined patents proceed on the record in the litigation, and not merely conform to or review exclusively the examiner's actions during the reexamination proceedings. *Greenwood v. Hattori Seiko Co.,* 900 F.2d 238, 241, 14 USPQ2d 1474, 1476 (Fed. Cir. 1990).

We also recognize the great deference due to jury verdicts. *Connell v. Sears, Roebuck & Co.,* 722 F.2d 1542, 1546, 220 USPQ 193, 196 (Fed. Cir. 1983). However, the jury would

have had to find that the prior art does not show individual control of a time module or a space module. On this record, substantial evidence does not support such a finding. "Deference due a jury's fact findings in a civil case is not so great . . . as to require acceptance of findings where, as here, these findings are clearly and unquestionably not supported by substantial evidence. To do so would render a trial and the submission of evidence a farce." *Connell,* 722 F.2d at 1546, 220 USPQ at 196. Because the judgment cannot stand upon application of the statutory standard of 35 U.S.C. § 103 (if not § 102), we reverse the denial of AT&T's motion for judgment as a matter of law respecting the invalidity of claim 29. *See Newell Cos. v. Kenney Mfg. Co.,* 864 F.2d 757, 9 USPQ2d 1417 (Fed. Cir. 1988), cert. denied, 493 U.S. 814 (1989).

II.
Infringement

In its cross-appeal, Collins asserts that the jury erroneously found that AT&T did not infringe claims 34, 37-39, 43, and 47-48 of the '593 patent. On appeal, Collins argues only that those claims were literally infringed.

Claim 34 of the '593 patent provides (emphasis added):

> In a switch for interconnecting between data incoming and outgoing digital time division multiplex communication lines, said switch having both time and space stages and interstage links therebetween, the improvement comprising:
>
> a plurality of individual time division digital signal switch element control modules, each such module combined with an associated time signal path switching means of said switch for switching between the time slots of the inputs and outputs of a single digital time division multiplex communication line of said switch, *but said module not being combined with any space signal path switching means, or said module is combined with an associated space signal path switching means* of said switch for switching selected time slots

from any of multiple time division digital multiplex communication lines of said switch to a single digital time division multiplex communication line, *but said module not being combined with any time signal path switching means of said switch,* to form a time or space switch element, each control module including its own control store means for storage of the status of said interstage links in said switch;

a plurality of cyclic retrieval means, each connected to and combined with one of said control store means for cyclic retrieval of stored status information from said control store means;

control data source means interconnected with said control store means for interrogating and modifying information stored in said control store means; and

step control signal input means to said control store means for activating information retrieval and modification, whereby said switch is capable of distributed operation, allowing time switch elements to be physically separated from space switch elements of the switch and allowing space switch elements to be physically separated from time switch elements of said switch.

The remaining asserted claims, 37-39, 43 and 47-48, each ultimately depend from claim 34. Claim 38, claiming "[t]he improvement of the switch of claim 34 further characterized by said control store means being a random access memory," is typical.

We agree with AT&T that substantial evidence supports the jury's verdict that the 5ESS switch does not literally infringe claim 34. The focus of the dispute is on the limitations requiring separate time and space switch modules. Two witnesses for AT&T, Professor Stephen Szygenda and Mr. Ralph Wilson, testified that the TSIU time division module contains time and space switches subject to common control. Ample documentary evidence and trial exhibits, including technical literature, demonstrative charts and circuit diagrams, buttressed this testimony. Al-

though Collins cross-examined AT&T's witnesses and offered its own testimony, principally to the end of establishing that the time and space switches of the accused device may also operate under individual control, a finding of infringement on that basis ignores the claim language that time and space switches must not be "combined with any time signal path switching means . . . ." Viewing all the evidence presented at trial in the light most favorable to AT&T, see *Read*, 970 F.2d at 823, 23 USPQ2d at 1432, we conclude that the jury reasonably determined that Collins did not prove by a preponderance of the evidence that the 5ESS switch literally met the properly interpreted language of claim 34.

Claim 34 is the only independent claim of the '593 patent that Collins asserts against AT&T. Because claim 34 is not literally infringed, no dependent claim can be literally infringed. *See Wahpeton Canvas Co. v. Frontier. Inc.*, 870 F.2d 1546, 1552 n.9, 10 USPQ2d 1201, 1207 n.9 (Fed. Cir. 1989). We thus conclude that a reasonable jury could only have found that AT&T did not infringe claims 34, 37-39, 43, and 47-48 of the '593 patent.

III.
Discovery Sanctions

AT&T also appeals the order of the district court holding it in contempt for abuse of discovery, contending that it was a criminal contempt sanction entered without the required procedural safeguards. According to AT&T, the district court failed to provide notice of the prosecution of a criminal contempt as mandated by Fed. R. Crim. P. 42(b).[2]

---

[2] Fed. R. Crim. P. 42(b) provides:

> A criminal contempt . . . shall be prosecuted on notice. The notice shall state the time and place of hearing, allowing a reasonable time for the preparation of the defense, and shall state the essential facts constituting the criminal contempt charged and describe it as such. The notice shall be given orally by the judge in open court in the presence of the defendant, or, on application of the United States attorney or of an attorney appointed by the court for that purpose, by an order to show cause or an order of arrest. . . . Upon a verdict or finding of guilt the court shall enter an order fixing the punishment.

Collins instead asserts that the contempt order was civil in nature and thus not requiring of notice.

A "contempt order . . . is characterized as either civil or criminal depending upon its primary purpose." *Lamar Fin. Corp. v. Adams*, 918 F.2d 564, 566 (5th Cir. 1990); *accord Petroleos Mexicanos v. Crawford Enters.*, 826 F.2d 392, 399 (5th Cir. 1987); *Port v. Heard*, 764 F.2d 423, 426 (5th Cir. 1985); *In re Dinnan*, 625 F.2d 1146, 1149 (5th Cir. 1980). If the order has a punitive purpose and is intended to vindicate the authority of the court, it will be considered a criminal order. *Hicks v. Feiock*, 485 U.S. 624, 631-35 (1988); *United States v. United Mine Workers*, 330 U.S. 258, 302-03 (1947); *Lamar Fin. Corp.*, 918 F.2d at 566; *Port* 764 F.2d at 426; *Dinnan*, 625 F.2d at 1149; *In re Stewart*, 571 F.2d 958, 963 (5th Cir. 1978). A civil contempt sanction is instead intended "to coerce the contemnor into compliance with a court order, or to compensate another party for the contemnor's violation." *Lamar Fin. Corp.*, 918 F.2d at 566; *accord Hicks*, 485 U.S. at 631-35; *United States v. United Mine Workers*, 330 U.S. at 303-04; *Port*, 764 F.2d at 426; *Dinnan*, 625 F.2d at 1149; *Stewart*, 571 F.2d at 963.

A principal distinction between the two sorts of orders is whether the imposed sanctions are absolute or conditional. *Hicks*, 485 U.S. at 633-35; *Lamar Fin. Corp.*, 918 F.2d at 566; *In re Rumaker*, 646 F.2d 870, 871 (5th Cir. 1980); *Dinnan*, 625 F.2d at 1149. A fine payable "regardless of purgation of the contempt could not be classified as other than punitive," and therefore as a criminal contempt sanction. *Port*, 764 F.2d at 426 (citations omitted). In contrast, an important factor indicating that a contempt adjudication is civil is the ability of the contemnor to avoid the sanction by complying with the order. *Spindelfabrik Suessen-Schurr Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktienaesellschaft*, 903 F.2d 1568, 1578-79, 14 USPQ2d 1913, 1922 (Fed. Cir. 1990).

By its December 18, 1991 Order, the district court approved the magistrate judge's October 8, 1991 order sanctioning AT&T, which stated in part:

In order to deter further abuses of discovery proce-

> dures, and, hopefully, to prevent further contentious violations of the Orders of the Court, IT IS ORDERED that Defendant AT&T shall, on or before October 10, 1991 at 12:00 p.m. Central Standard Time, pay to Plaintiff the sum of $50,000.00.

It is immediately apparent that the required payment could not be mitigated; AT&T could do nothing to purge its contempt. The unconditional nature of an order's sanctions weighs heavily against a finding of a coercive purpose. Although the Order names Collins Licensing as the recipient of this payment, we also cannot conclude that the court's purpose was compensatory. No evidence suggests that the $50,000 figure accounts for any actual expenses or other losses incurred by Collins Licensing due to AT&T's conduct during discovery. *United States v. United Mine Workers,* 330 U.S. at 304.

While the court's stated rationale was one of deterrence, rather than punishment, such characterizations do not control our determination. *Shillitani v. United States,* 384 U.S. 364, 369 (1966); *Rumaker,* 646 F.2d at 871; *Dinnan,* 625 F.2d at 1149. Indeed, we have noted that "most criminal punishment is intended, among other things, to deter the criminal from committing other crimes." *Spindelfabrik,* 903 F.2d at 1580, 14 USPQ2d at 1922-23; *see also Hicks,* 485 U.S. at 635-36 (noting the overlapping aspects of civil and criminal contempt). Even if we consider the district court to have possessed dual purposes when issuing its order, contempt orders containing both punitive and coercive aspects are generally to be considered criminal in nature. *Lamar Fin. Corp.,* 918 F.2d at 567; *Port,* 764 F.2d at 426; *Rumaker,* 646 F.2d at 872. *See also Union Tool Co. v. Wilson,* 259 U.S. 107, 110 (1922) ("Where a fine is imposed partly as compensation to the complainant and partly as punishment, the criminal feature of the order is dominant and fixes its character for purposes of review."). From our reading of the record, *see Rumaker,* 646 F.2d at 871, we conclude that the order was at least partially criminal in nature and was entered without the appropriate procedural safeguards.

This outcome is unaltered by Collins' citation of *Brown v. Braddick,* 595 F.2d 961, 203 USPQ 95 (5th Cir. 1979), for the proposition that "[t]he absence of compliance with [Fed. R. Crim. P.] 42(b) supports an inference that the contempt order was intended to be civil." *Id.,* 595 F.2d at 965 n.6, 203 USPQ at 100 n.6 (citation omitted). In *Brown,* an appeal stemming from discovery in a patent interference, the Court of Appeals stayed the district court's contempt proceedings. *Id.,* 595 F.2d at 964, 203 USPQ at 99. But unlike the instant case, the district court in *Brown* had not yet issued an order. Where a contempt order has issued, we are compelled by *Hicks,* 485 U.S. 624 (1988), to reach "conclusions about the purposes for which relief is imposed . . . from an examination of the character of the relief itself." *Id.* at 636.

Because we conclude that the district court imposed criminal sanctions against AT&T, we vacate that portion of its contempt order ordering the payment of $50,000.00 to Collins on or before October 10, 1991. However, we do not preclude the district court from sanctioning any misconduct by AT&T committed prior to October 7, 1991.

IV.
Costs

Each party to bear their own costs.

United States Court of Appeals for the Federal Circuit

92-1201, -1294, -1302

COLLINS LICENSING, L.P.,
Plaintiff/Cross-Appellant,
v.
AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Defendant-Appellant.

JUDGMENT

ON APPEAL from the UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
90-201
in CASE NO(S).

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

REVERSE, VACATE AND REMAND

ENTERED BY ORDER OF THE COURT

DATED Nov. 5, 1993

Francis X. Gindhart, Clerk

ISSUED AS A MANDATE: January 19, 1994

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
MIDLAND-ODESSA DIVISION

COLLINS LICENSING L.P., Plaintiff,	)	
v.	)	MO-90-CA-201
AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendant.	)	

ORDER

BEFORE THIS COURT came the above-captioned cause for trial before a jury beginning January 27, 1992. At the conclusion of the trial, the jury returned the following verdict:

1. DO YOU FIND THE PLAINTIFF, COLLINS LICENSING, PROVED BY THE PREPONDERANCE OF THE EVIDENCE THE DEFENDANT, AT&T, INFRINGED ANY ONE OR MORE OF THE CLAIMS OF THE '593 PATENT?

CLAIM	YES	NO
Claim 29	X	
Claim 34		X
Claim 37		X
Claim 38		X
Claim 43		X
Claim 47		X
Claim 48		X

IF YOUR ANSWER TO QUESTION 1 WAS "YES" FOR ANY OF THE CLAIMS, PROCEED TO QUESTION 2. OTHERWISE, DO NOT PROCEED.

2. DO YOU FIND AT&T PROVED BY CLEAR AND CONVINCING EVIDENCE ANY ONE OR MORE OF THE CLAIMS OF THE '593 PATENT ARE INVALID?

CLAIM	YES	NO
Claim 29		X
Claim 34		X
Claim 37		X
Claim 38		X
Claim 43		X
Claim 47		X
Claim 48		X

PROCEED TO QUESTION 3.

3. DO YOU FIND AT&T PROVED BY CLEAR AND CONVINCING EVIDENCE COLLINS LICENSING, L.P., OR ANY OF ITS PREDECESSORS, COMMITTED INEQUITABLE CONDUCT BEFORE THE PATENT OFFICE?

NO

ANSWER "YES" OR "NO"

PROCEED TO QUESTION 4.

4. ON WHAT DATE DO YOU FIND AT&T PROVED BY A PREPONDERANCE OF THE EVIDENCE ARTHUR A. COLLINS, INC., OR ITS SUCCESSORS, KNEW OR SHOULD HAVE KNOWN OF THE ALLEGED INFRINGING ACTIVITY BY AT&T?

1/86

Date

PROCEED TO QUESTION 5.

5. WHAT AMOUNT, IF PAID NOW IN CASH, DO YOU FIND COLLINS LICENSING PROVED, BY A PREPONDERANCE OF THE EVIDENCE, WOULD FAIRLY AND REASONABLY COMPENSATE IT FOR INFRINGEMENT OF THE '593 PATENT?

$ 34,687,500.00
ANSWER IN DOLLARS AND CENTS OR "NONE"

PROCEED TO QUESTION 6.

6. IS THIS AMOUNT A LUMP-SUM PAID-UP ROYALTY OR A RUNNING ROYALTY UP TO AUGUST 31, 1991?
CHECK ONE:

X PAID-UP
_____ RUNNING

PROCEED TO QUESTION 7.

7. DO YOU FIND COLLINS LICENSING PROVED BY CLEAR AND CONVINCING EVIDENCE AT&T WILLFULLY INFRINGED THE COLLINS PATENT?

NO
ANSWER "YES" OR "NO"

The parties submitted various post-trial motions, which were ruled on by the Court. On March 23, 1992, the Court entered its Findings of Fact and Conclusions of Law denying AT&T's claim of laches. All post-verdict matters having been properly disposed of, the Court determines judgment should be entered in accordance with the jury's verdict and the Court's previous findings. Accordingly,

IT IS ORDERED, ADJUDGED AND DECREED Judgment is entered for the Plaintiff, Collins Licensing, L.P. The jury verdict of February 5, 1992 is hereby entered:

1. AT&T has infringed claim 29 of U.S. Patent 3,956,593. AT&T has not infringed claims 34, 37-39, 43 and 47-48 of U.S. Patent 3,956,593.

2. Claims 29, 34, 37-39, 43, and 47-48 of U.S. Patent 3,956,593 are valid claims.

3. Collins Licensing, L.P. did not commit inequitable conduct before the Patent Office.

4. Arthur A. Collins, Inc. or its successors knew or should have known of the infringing activity by AT&T by January of 1986.

5. Damages awarded are $34,687,500.00.

6. The damages awarded are a lump-sum paid-up royalty. No further damages shall be awarded.

7. AT&T did not willfully infringe U.S. Patent 3,956,593.

Post-judgment interest at the rate of 4.58% shall be assessed on the $34,687,500.00 awarded to the plaintiff as damages, until paid, for which amount let execution issue.

SIGNED this 27th day of March, 1992.

HONORABLE LUCIUS D. BUNTON, III
CHIEF JUDGE

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
MIDLAND-ODESSA DIVISION

COLLINS LICENSING L.P., Plaintiff,	)	
v.	)	MO-90-CA-201
AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendant.	)	

ORDER

BEFORE THIS COURT is Defendant's Motion for Judgment as a Matter of Law or New Trial on Liability Issues. Plaintiff responded in opposition to Defendant's motion, and after consideration of the arguments of both parties, the Court finds Defendant's motion lacks merit. Accordingly,

IT IS ORDERED Defendant's Motion for Judgment as a Matter of Law or New Trial on Liability Issues is DENIED.

SIGNED this 6th day of March, 1992.

HONORABLE LUCIUS D. BUNTON
CHIEF JUDGE

United States Court of Appeals for the Federal Circuit

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the CROSS-APPELLANT, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on January 18, 1994.

FOR THE COURT,
FRANCIS X. GINDHART, CLERK

Dated:
January 11, 1994

By_____.
Diane M. Frye
Chief Deputy Clerk

cc: ALBERT E. FEY
ROLF O . STADHEIM
COLLINS LICENSING LP V AT&T CO, 92-1201
(DCT - 90-201)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

Supreme Court, U.S.
FILED
MAY 11 1994
OFFICE OF THE CLERK

No. 93-1610

IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

COLLINS LICENSING, L.P.,
Petitioner,
v.
AT&T CORP.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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May 11, 1994

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

QUESTION PRESENTED

Whether this Court should review the Federal Circuit's determination, in an unpublished and non-precedential opinion, that, on the record before it, a jury's finding of non-obviousness was not supported by substantial evidence.

STATEMENT REQUIRED BY RULE 29.1

AT&T Corporation ("AT&T"), formerly American Telephone and Telegraph Company, has no parent companies. AT&T owns an equity interest in the following publicly traded companies:

Compagnie Industriali Riunite, S.p.A. (Italy); and
AT&T Capital Corporation.

AT&T owns an equity interest in the following non-publicly traded companies, which have public debt outstanding:

AT&T Credit Corporation; and
AT&T Global Information Solutions, formerly NCR.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

No. 93-1610

COLLINS LICENSING, L.P.,
Petitioner,

v.

AT&T CORP.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENT'S BRIEF IN OPPOSITION

REASONS FOR DENYING THE PETITION

This case raises none of the questions that the petition purports to present. Nowhere in its unpublished, non-precedential *per curiam* opinion did the Federal Circuit suggest, let alone hold, that obviousness is a question of law subject to *de novo* review on appeal. Rather, the Federal Circuit reviewed the jury's verdict under the substantial evidence standard that petitioner urges. Nor is there any basis to petitioner's claims that the Federal Circuit "ignored" findings that the Patent and Trademark Office (PTO) rendered in a narrowly circumscribed, *ex parte* reexamination proceeding, or that the lower court impermissibly rendered a decision on an issue not raised on appeal. In truth, petitioner's various attacks on the decision below are nothing more than re-formulations of a single complaint—namely, that, on the facts of this

case, the Federal Circuit erred in concluding that the jury's finding of validity lacked substantial evidence. That complaint does not raise any question requiring review in this Court, and is in all events mistaken.

1. The bulk of the petition is devoted to quarreling with the proposition—nowhere announced in the decision below—that obviousness is a question of law to be determined *de novo* by the Federal Circuit on appeal. Pet. at 7-17. According to petitioner, the Federal Circuit "has made a firm decision to treat the issue [of obviousness] as a matter of law" (*id.* at 9), and has established itself "as the primary decisionmaker on the question of obviousness, subordinating both the trier of fact and the Patent Office to minor supporting roles." *Id.* at 8.

In the unpublished decision under review, however, the Federal Circuit said no such things. To the contrary, the court explicitly "recognize[d] the *great* deference due to jury verdicts." Pet. App. 5a (emphasis added). It concluded, however, that, "[o]n *this* record, substantial evidence [did] not support" the jury's determination that the patent at issue was not obvious in light of the prior art. *Id.* at 6a (emphasis added). The lower court thus made a narrow, case-specific factual finding based on the record before it.

The petition makes a tortured effort to wrest a broad legal principle from this routine decision. In particular, petitioner claims that the Federal Circuit necessarily embraced, *sub silentio*, a *de novo* standard of review flatly at odds with the standard it said it was applying. This is a remarkable suggestion of judicial bad faith which depends entirely on petitioner's contention that the court "clearly did not defer to the fact-finder." Pet. at 10 n.6. This contention, however, is merely an assertion that the Federal Circuit misapplied the substantial evidence test. See *id.* at 6 ("the court failed to come to grips with the trial evidence, which demonstrated that its interpretation of the prior art was incorrect"). As petitioner tacitly concedes, the entirely fact-bound question whether the Federal Circuit properly assessed the sufficiency of the evi-

dence underlying the jury's verdict in this case is manifestly not worthy of review in this Court. Moreover, because a determination either that the lower court applied the substantial evidence test correctly or that it applied it incorrectly would be fully dispositive of the case, the broad legal issue petitioner asks this Court to decide simply does not arise.[1]

In any event, petitioner's claim that the lower court engaged in *de novo* review is simply wrong. That the Federal Circuit understood and properly applied the substantial evidence standard is demonstrated by its decision to *uphold* the jury's verdict of non-infringement after finding that "substantial evidence supports the jury's verdict." Pet. App. 7a. Applying that same test to the jury's validity verdict, the court canvassed the entire record (see *id.* at 4a-5a), which included all three invalidating prior art references, testimony from the author of two of those references, and testimony from another witness concerning the third. Because several digital switch designs existed prior to the patent in suit, petitioner identified as central to the invention the "modularization of the time and space switch elements, associating *individual control stores with each element*." *Id.* at 4a (emphasis in original). In order to find the patent valid, therefore, "the jury would have had to find that the prior art does not show individual control of a time module or space module." *Id.* at 5a-6a. Yet, as the court explained in considerable detail below, the record before the jury demonstrated that the prior art unmistakably disclosed these very elements. *Id.* at 4a-5a.

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[1] Petitioner also seeks to derive the broad legal principle it wishes to challenge from the lower court's passing citation to *Newell Cos. v. Kenney Manufacturing Co.*, 864 F.2d 757 (Fed. Cir. 1988), *cert. denied*, 493 U.S. 814 (1989). *See* Pet. at 10 n.6. This Court, however, *declined* to review the *Newell* decision. The lower court's sole citation of the case neither enhances the legal significance of *Newell* itself, nor transforms the routine factual holding in this case into a decision worthy of review.

In short, the Federal Circuit did not re-weigh the evidence or conclude that, on balance, its view of the facts was superior to the jury's otherwise plausible interpretation. Rather, the court found that, on the record before it, the jury's determination that the patent was not obvious was "clearly and unquestionably not supported by substantial evidence." *Id.* at 6a.[2] That determination was correct as a matter of fact, sound as a matter of law, and raises no question worthy of this Court's attention.[3]

2. Petitioner further contends that the Federal Circuit should be *required* to uphold a jury finding of valid-

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[2] Petitioner's recitation of favorable testimony it proffered at trial does not render the Federal Circuit's determination incorrect. The test is whether the jury's verdict is supported by *substantial*, not merely some, evidence. *See Steadman* v. *SEC*, 450 U.S. 91, 98 n.16 (1981) ("substantial" means a considerable amount of evidence).

[3] It is worth noting that, even if the Federal Circuit had deemed obviousness to be a question of law, that holding would have been fully consistent with this Court's statement in *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966), that "the ultimate question of patent validity is one of law." Although petitioner struggles at length to prove that the Court did not mean what it said (Pet. at 10-14), every court of appeals that addressed the question before the Federal Circuit was created also read *Graham* as holding that obviousness is a question of law predicated on underlying facts. *See Sarkisian* v. *Winn-Proof Corp.*, 688 F.2d 647, 651 (9th Cir. 1982), *cert. denied*, 460 U.S. 1052 (1983); *Julie Research Labs., Inc.* v. *Guideline Instr., Inc.*, 501 F.2d 1131, 1135-36 (2d Cir. 1974); *Flour City Architectural Metals* v. *Alpana Aluminum Prods., Inc.*, 454 F.2d 98, 105-06 (8th Cir. 1972); *Kolene Corp.* v. *Motor City Metal Treating, Inc.*, 440 F.2d 77, 81 (6th Cir.), *cert. denied*, 404 U.S. 886 (1971); *Swofford* v. *B & W, Inc.*, 395 F.2d 362, 367 (5th Cir.), *cert. denied*, 393 U.S. 935 (1968). In addition, while petitioner cites the *per curiam* decision in *Dennison Manufacturing Co.* v. *Panduit Corp.*, 475 U.S. 809 (1986), as evidence that the question remains an open one (Pet. at 9), this Court declined to review the Federal Circuit's express affirmation on remand that obviousness is a question of law. *Panduit Corp.* v. *Dennison Mfg. Co.*, 810 F.2d 1561, 1566-68 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987). This case, in which the issue was never even discussed, is an altogether inappropriate vehicle for this Court to address the issue.

ity whenever the PTO finds a patent valid in a reexamination proceeding. Pet. at 17-21. This supposed ground for review in this Court, which is based on a mischaracterization of both the reexamination procedure and the decision below, is simply another way of arguing that the lower court misapplied the substantial evidence standard. At bottom, petitioner contends that a reexamination finding is, *per se*, substantial evidence of validity. See *id.* at 18. Petitioner, however, cites no law in support of this novel and fundamentally mistaken proposition.

To begin with, it is simply not true that the Federal Circuit "ignored" the PTO's decisions. *Id.* To the contrary, the court explained that it was "not unmindful" of the PTO's actions on reexamination. Pet. App. 5a. The court properly recognized, however, that it had a far more voluminous evidentiary record before it than the PTO had during reexamination, and that it was thus inappropriate to "merely conform to or review exclusively the examiner's actions." *Id.*

Unable to dispute this reasoning, petitioner suggests that a PTO finding of validity following reexamination should itself be deemed substantial evidence supporting a jury verdict because reexamination "comes very close . . . to constituting a litigated administrative determination on the validity issue." Pet. at 19. This suggestion in flatly wrong. As the court below explained, an alleged infringer can do no more than initiate reexamination and file a single reply to the patent-holder's initial statement concerning the request for reexamination. See Pet. App. 5a; 35 U.S.C. §§ 304, 305; 37 C.F.R. §§ 1.510, 1.535 (1993). Thereafter, the proceeding is an entirely *ex parte* one in which the patent-holder may submit briefs or other argument in response to an examiner's actions and may personally interview the examiner and challenge his or her preliminary conclusions without any further participation by the requester. 37 C.F.R. §§ 1.550(b)&(e),

1.560 (1993).[4] Petitioner took full advantage of these opportunities. Moreover, the PTO may consider only a restricted category of evidence during reexamination. *Id.* § 1.552(a) (1993).

Thus, the court below considered the reexamination record and findings in conjunction with a trial court record that "include[d] live testimony and cross-examination, *none of which was before the examiner.*" Pet. App. 5a (emphasis added). In these circumstances, there is simply no basis for petitioner's contention that the court of appeals was *required* to defer to an *ex parte* decision rendered on a truncated record.[5] Based on the far more complete record before it, the Federal Circuit properly concluded that the patent was invalid because it was obvious. That determination in no way "erode[s] the benefits" of reexamination (Pet. at 20),[6] and raises no issue requiring review in this Court.

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[4] In attempting to suggest otherwise, petitioner cites none of the governing statutory or regulatory provisions and instead relies on now-Chief Judge Nies' concurring opinion in *In re Etter*, 756 F.2d 852, 862 (Fed. Cir.), *cert. denied*, 474 U.S. 828 (1985). *See* Pet. at 19-20. Petitioner neglects to mention, however, that Chief Judge Nies was on the panel below and saw no inconsistency between her earlier concurrence (which concerned whether or not the *PTO* should apply a presumption of validity on reexamination) and the decision at issue here. Moreover, in her concurrence, Chief Judge Nies did not contend, as petitioner does, that PTO findings on reexamination constitute substantial evidence in support of a jury finding of validity.

[5] Indeed, under the Administrative Procedures Act, an agency decision following a fully adversarial hearing can be upheld only if it is supported by substantial evidence. *Camp* v. *Pitts*, 411 U.S. 138, 140-41 (1973). Here, petitioner attempts to turn the principle on its head by arguing that an agency decision rendered in a circumscribed and non-adversarial proceeding *is* substantial evidence to which an appeals court must defer.

[6] Contrary to petitioner's assertion, reexamination is not intended to establish a patent's validity once and for all. "[T]he intent underlying reexamination is to 'start over' in the PTO . . . and to *re*-examine the claims . . . as they would have been considered if

3. Petitioner's remaining contention—that the decision below warrants an exercise of this Court's extraordinary supervisory power—is frivolous. First, it is not true that the Federal Circuit decided an issue that was not raised on appeal or in respondent's post-trial motion for judgment as a matter of law. Respondent's post-trial motion states that "Mr. Mack testified that his 1972 article . . . and report . . . anticipated *and rendered obvious* these patent claims." Motion at 8 (emphasis added). The motion includes extensive arguments for invalidity based on Mack's testimony. On appeal, respondent reiterated these arguments. Brief on Appeal at 6, 28.

Nor is it true that the Federal Circuit "faile[d] to follow the rule of law." Pet. at 23. As noted above, the lower court correctly stated and applied the substantial evidence test. See *supra* at p. 3. It likewise appropriately reviewed the factual underpinnings for obviousness set forth by this Court in *Graham*. Thus, by reviewing the three critical prior art references and the testimony surrounding them (see Pet. App. 2a-5a), the lower court determined "the scope and content of the prior art" and the "differences between th[at] art and the claims at issue." *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966). It further ascertained "the level of ordinary skill in the . . . art" (*id.*), by concluding that "[t]he prior art references thus expressly teach one of skill in the art to employ uniform, interconnectible switch components." Pet. App. 5a.

In contending otherwise, petitioner relies on a series of statements, many taken out of context, that have nothing whatever to do with this case. In fact, one of the state-

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they had been *originally examined* in light of all of the prior art of record." *In re Etter*, 756 F.2d at 857 (second emphasis added). A patent is thus no more definitively valid following reexamination than it is after its initial examination and issuance. Even petitioner does not contend that the PTO's mere issuance of a patent should be deemed substantial evidence of its validity, yet that is the logical import of its argument here.

ments upon which petitioner relies is a criticism leveled by one of the members of the panel below, Judge Cohn. See Pet. at 23 & n.17. Petitioner thus asks this Court to believe that Judge Cohn has now joined in a practice he once condemned. This vividly demonstrates that these generalized criticisms of the Federal Circuit's decisions in *other* cases simply do not provide a basis for exercising supervisory review over the routine factual determination rendered in this case.

CONCLUSION

For the foregoing reasons, the petition should be denied.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

COLLINS LICENSING, L.P.,
Petitioner,

v.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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REPLY BRIEF FOR PETITIONER

Respondent, rather than defending the Federal Circuit's actual approach to reviewing the issue of obviousness, attempts to avoid review by portraying this case as one where the court applied the deferential level of review sought by petitioner. It bases this argument on a single reference to "substantial evidence" in the Federal Circuit's opinion. But this effort to bypass the broader issues raised in the petition is unavailing. The plain fact is that the Federal Circuit *always* reviews the question of obviousness as a *legal* issue, and did so here. *See* Pet. App. 2a ("[W]e hold that Claim 29 would have been obvious, if not fully anticipated by the prior art . . . ."). Moreover, this case is a paradigmatic illustration of the problems resulting from the Federal Circuit's willingness to decide this issue for itself, rather than confining its review to a determination whether there is substantial evidence of "nonobviousness" in the trial record.

1. Respondent's contention that petitioner is merely trying to transform a factual dispute into a legal one is demonstrably incorrect. To begin with, as respondent grudgingly acknowledges in a footnote, Br. in Opp. at 4, there is no doubt that the Federal Circuit rule governing review of the obviousness issue *requires* it to be treated as a legal question subject to plenary reconsideration on appeal. *See Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 762 (Fed. Cir. 1988), *cert. denied*, 493 U.S. 814 (1989); *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566-68 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987). To be sure, as we acknowledged in the petition, Pet. 15, the Federal Circuit understands that there are subsidiary facts that must be determined (if they are disputed) before the obviousness determination can be made. *See Newell*, 864 F.2d at 764 ("[T]he ultimate conclusion of obviousness, that is, *the application of the statutory standard to a set of facts*, is an issue of law, and like any other issue of law is subject to independent plenary review and determination by this court.") (emphasis added). And the court does say that it accords deference to the finder of fact with respect to these subsidiary factual questions. *See id.* What it refuses to do, however, is to treat the ultimate question of obviousness as factual.

Moreover, despite respondent's efforts to show otherwise, it is equally clear that the Federal Circuit followed its usual approach to review of obviousness questions in this case. Indeed, respondent conceded this point in the court below.[1] To begin with, the court cited *Newell*,

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[1] At the rehearing stage in the court below, respondent acknowledged that "[h]aving reviewed the factual basis for the obviousness analysis using the substantial evidence test, the Court's Opinion *properly reached the legal conclusion that Claim 29 was 'obvious,* if not fully anticipated.'" AT&T Response to Rehearing Petition at 8. And here as well, respondent acknowledges at one point that the Federal Circuit made a determination about obviousness rather than a determination about whether there was substantial evidence of nonobviousness. Br. in Opp. at 6 ("Based on the far more com-

supra, at the precise point in its opinion where it held that the patented invention was obvious. Pet. App. 6a. The court plainly thought it was following the same approach. And earlier in its opinion, the court flatly stated that "we *hold* that claim 29 would have been obvious, if not fully anticipated by the prior art." Pet. App. 2a (emphasis added). It then proceeded with its own independent "examination of [what] the prior art reveals," Pet. App. 4a, without referring to the substantial evidence test or even discussing the evidence in the record, including the expert testimony, supporting the jury's finding of nonobviousness.

It was only at the end of this process that the court acknowledged its obligation to accord deference to the jury verdict. Pet. App. 5a-6a. But its method for doing so was entirely consistent with the usual approach of reserving the ultimate question of obviousness to be decided independently by the court. The Federal Circuit identified a single subsidiary factual issue that, in its view, was especially significant, and referred to the "substantial evidence" standard *only with respect to that issue*. *Ibid.* ("[T]he jury would have had to find that the prior art does not show individual control of a time module or a space module. On this record, substantial evidence does not support such a finding."). Again, at no point did the court accord similar deference to the jury's *overall* determination on the ultimate issue of nonobviousness, or even review petitioner's evidence.

In sum, this case provides a fully appropriate vehicle for review of the Federal Circuit's approach to assessing the obviousness issue. Indeed, it is somewhat bizarre for respondent to defend against Supreme Court review by arguing that the court of appeals in this case departed, for no apparent reason, from the approach it has applied in dozens of other cases, and suddenly treated the issue

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plete record before it, the Federal Circuit properly concluded that the patent was invalid because it was obvious.")

of obviousness as factual and subject to deferential review. That is not what occurred.

2. Leaving aside its effort to avoid review by rewriting the decision below, respondent says very little about whether the Supreme Court should, in fact, decide whether obviousness is a factual or a legal issue. To begin with, its brief says nothing whatsoever about the merits of treating obviousness as a question of law, while "anticipation" and "utility" (to take two examples from the patent field) and negligence and scienter (to take two more from other areas of the law) are viewed as fact issues. *See* Pet. 11-12, 15-16. The reason, of course, is that this distinction makes no sense. It is more an accident of legal history than a result of reasoned analysis.

In a single footnote, respondent does make one argument against review—suggesting that this issue was long ago settled. Br. in Opp. at 4 n.3. But to the extent that respondent relies on *Graham v. John Deere Co.*, 383 U.S. 1 (1966), for support, it is glossing over a glaring problem. *Graham* said that the "ultimate question of patent *validity* is one of law." 383 U.S. at 17 (emphasis added). But, as we pointed out in the petition, this statement has never been understood as transforming two other bases for attacking validity—anticipation and non-utility under 35 U.S.C. §§ 101 and 102—into legal issues. *See* Pet. 12. *See also Shultz v. Moore*, 419 U.S. 930 (1974) (Douglas, J., dissenting from denial of certiorari and arguing that the Court still needed to resolve this very issue).

In the same footnote, respondent then asserts that "every court of appeals that addressed the question before the Federal Circuit was created also read *Graham* as holding that obviousness is a question of law predicated on underlying facts." Br. in Opp. at 4 n.3. It cites, however, only five cases, neglecting to note that at least two other circuits had precisely the opposite rule. *See Rosen v. Lawson-Hemphill, Inc.*, 549 F.2d 205, 209 (1st Cir.

1976) ("In this circuit, the question of obviousness vel non is essentially one of fact, . . . , and we will not reverse a district court's applications of the correct legal principles unless we believe them clearly erroneous.") (citations omitted); *Plastic Container Corp. v. Continental Plastics of Okla., Inc.*, 708 F.2d 1554, 1558 (10th Cir. 1983) ("The Tenth Circuit treats the ultimate issue of obviousness as a question of fact subject to the 'clearly erroneous' standard of review.").

For all of the reasons stated here and in the petition, it is clear on the merits that these two circuits had it right. But no other court is now able to challenge the prevailing consensus, and few other parties are likely to challenge that consensus and point out that it lacks any rational basis.[2] It is time for this important issue to be addressed by this Court.

3. Respondent is no more persuasive in its discussion of the Federal Circuit's treatment of the reexamination determinations made by the Patent and Trademark Office. It remains clear that, if these determinations are going to be admitted into evidence, there is a need for some standards for determining what weight they will be given. The PTO's conclusions become meaningless if they are not at least given serious consideration by a court in deciding whether to uphold a consonant jury verdict.

Certainly it is no answer that, in this case, the Federal Circuit had before it a more voluminous record, including live testimony and cross-examination. The truth is that the Federal Circuit did not rely on, or apparently con-

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[2] Thus, while respondent points to the fact that this Court denied review in *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987), a case where the Federal Circuit addressed this issue at some length after a remand from this Court, the reality is that neither party argued on remand that obviousness is a question of fact. *See id.* at 1567 n.5 ("Both parties and *amicus* agree that the question is one of law, though Dennison goes on to question whether it might be treated as one of fact.").

sider, the trial testimony concerning the relationship between petitioner's invention and the prior art. It simply read the prior art itself, reaching an interpretation diametrically opposed to that reached both by the jury and by the PTO. If it had considered the testimony, it would have realized that the testimony established that there was no linkage between the invention and one of the two key examples of prior art (Granello) and that petitioner's expert testimony and cross-examination of respondent's witness had undermined respondent's reliance on the other example of prior art (Mack). *See* Pet. 6-7. Reexamination determinations may not always constitute persuasive evidence, but, in these circumstances, it is difficult to see how the PTO decision upholding the patent could not constitute "substantial evidence" with respect to the issue of obviousness.

4. With respect to our request that the Court exercise its supervisory power to review the Federal Circuit's overall handling of this case, two points warrant reiteration. First, despite respondent's current effort to revise history, it simply did not argue obviousness in the Federal Circuit. The invalidity section in its main brief on appeal was expressly limited in its introductory section to an argument about the separate issue of "anticipation," a very different issue. Appellant's Main Brief at 26 ("[T]he evidence is so clear and convincing that reasonable jurors could only conclude that [the] claims . . . are invalid under 35 U.S.C. § 102 [anticipation]."). Moreover, if respondent had been arguing obviousness, it would have been required to address the multiple factors set forth by this Court in *Graham v. John Deere, supra*, and it did not do that either.[3]

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[3] In fact, the only references to obviousness in appellant's brief in the court of appeals (those cited here by respondent) were paraphrases of testimony, not arguments. Appellant's Main Brief at 6 ("Prof. Mack testified at trial and provided clear and convincing evidence that . . . both the Mack Article and Report anticipate and render obvious the asserted claims."); *id.* at 28 ("Mack testified

Yet the court of appeals proceeded to make a determination of obviousness, itself failing to apply fully the *Graham v. John Deere* factors.[4] And in so doing, it relied in significant part on one example of the prior art (Granello Fig. 5) that respondent had not even relied on at trial.

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that his 1972 Article and Report anticipated and rendered obvious the asserted patent claims.").

[4] Respondent contends, Br. in Opp. at 7, that the Federal Circuit did apply the *Graham* factors, but even it is only able to locate references to three of the factors. Like the court below, respondent totally ignores the so-called "secondary considerations" that must be considered under *Graham*. *See* 383 U.S. at 17. In addition, respondent is wrong when it says that the court below considered the third factor, "the level of ordinary skill in the pertinent art." *Ibid.; see* Br. in Opp. at 7. The only inquiry in the opinion with respect to this issue is in reference to one particular feature of the invention. The court of appeals never asked and never answered the question what was the level of ordinary skill in the art, as required by *Graham*.